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ABSTRACT

This module presents a real-world context in which mathematics skills are used as part of a daily routine. The context is the insurance field, and the module aims to help students see the significance of following through various processes in trying to obtain a solution. Materials in the module, most of which are designed for the teacher to duplicate and distribute to students, include the following: (1) information on careers in the insurance industry, specifically insurance agent; (2) an introduction to the lesson and information on types of insurance and insurance rates; (3) a task to be performed and information sheets necessary to complete the task; and (4) an answer key. (KC)

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ED 360 529

MATHEMATICS FOR THE WORKPLACE

APPLICATIONS FROM INSURANCE

A TEACHER'S GUIDE

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(December 1990)

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Introduction

The workplace of tomorrow will require skills beyond the twelfth grade level. Technological advances require higher levels of mathematics skills for employees to function efficiently in the workplace. Many employees need workers who can solve problems of varying complexity involving arithmetic, algebraic, and geometric operations.

Because of the higher levels of mathematical skills now needed to succeed in the workplace, now more than ever there should be greater relevance between what is taught in the classroom and what occurs daily in the real world . Teaching skills in an isolated setting does little to motivate many students to take their studies seriously.

When information is presented in an isolated setting, students who are unable to see a connection between what is taught in the classroom and what happens in the real world may become disinterested in the subject. This disinterest usually results in a lack of motivation. Consequently, students perceive no need to apply themselves to their studies and may not take courses which challenge them as learners.

Examples from real-life settings often help students better understand the need to study and learn mathematics taught in the classroom. Real-life applications can provide the needed relevance to motivate students, not only to apply themselves to their studies, but also to take the highest level of math they are capable of handling successfully. **Mathematics for the Workplace: Applications from Insurance Sales** is designed to present a real-world context where mathematics skills are used as part of a daily routine.

One intent of **Mathematics for the Workplace: Applications from Insurance** is to help students understand the significance of following through various processes in trying to obtain a solution. An additional purpose is to help students see the need for being accurate and detailed when making calculations.

How to Use This Module

The table of contents lists the sections contained in the module. This section, How to Use this Module, gives teachers an explanation of the procedures used in completing the exercise. Not all of the information presented in this module is to be duplicated and given to the students. There are, however, several sections which should be duplicated and given to the students so they can complete the assignment.

Pages 3-5 give students an introduction to the career field of insurance sales. Included in this section is information on special requirements for obtaining licensure, job-related duties, how to receive special training and earnings and advancements. These pages should be duplicated and given to the students as introductory information.

Pages 5-6 give information regarding the types of vehicular insurance available in South Carolina. It provides other information such as factors which influence insurance rates, safe driver discount and recoupment.

Pages 7-9 present a job-related task. In this section, students receive an explanation of the task and information to help them complete the task. This section may be duplicated and given to the students as information.

Pages 10-11 give related problems for students to work. This section may be duplicated and given to the students as information.

Pages 12-13 are the answer keys to the related problems. The answer keys give a detailed description of each answer for the related problems.

The Appendix contains the blank and completed handouts required to complete the lesson.

EXPLORING A CAREER: Insurance Agent

An individual may gain employment in the insurance industry as a sales agent, insurance broker, or general agent. Sales agents may sell several types of insurance or specialize in a particular type of insurance, such as casualty, fire, life, or automobile. Insurance brokers work independently, selling insurance for a variety of companies. General agents also work independently but sell insurance for only one company.

Agents should like having business contact with people, communicating information, and working with little supervision. They should be able to understand information in written, spoken, and graphic form; direct, control, and plan activities; and collect data, establish facts, and make decisions.

Special Requirements

Insurance agents are required to be licensed by the state in which they sell insurance. In order to be licensed, prospective agents must pass a written examination covering the fundamentals of insurance and the particular state's insurance laws.

Before individuals can take the licensing examination, they must complete 40 hours of classroom instruction in insurance sales. The 40-hour program covers such topics as rules governing insurance, South Carolina laws, basic insurance coverage information, and definitions of related terms. This program of preparatory studies is approved by the South Carolina Insurance Agents Association. The licensing examination consists of 100 multiple choice items.

Many insurance companies prefer to hire college graduates as insurance agents but may hire high school graduates with proven or potential sales ability.

A driver's license is also a requirement because agents spend considerable amounts of time traveling to confer with their clients.

Job-Related Duties

Insurance agents' duties include

- compiling lists of prospective clients,
- advising clients regarding financial needs,
- assisting clients with benefit claims,
- computing and collecting premiums, and
- keeping detailed records of policies.

Working Conditions

Insurance agents usually work under minimum supervision. They arrange their own schedules, which often include weekend and evening appointments. Agents may spend large amounts of time in their cars because of the associated travel. When working indoors, agents generally work in modern office settings.

High School Preparation

In order to best prepare for a program of studies in insurance sales while in high school, students should take algebra, business, business-related, and computer courses.

Students can obtain additional information on insurance careers from school guidance offices, libraries, or local insurance agencies.

How to Receive Training

Some universities and colleges offer courses in insurance while others offer a bachelor's degree in insurance. (However, no colleges or universities in South Carolina offer a degree in insurance.)

An alternative to earning a degree in insurance would be to earn a degree in business. A business degree (two-year or four-year) gives individuals the background in finance, mathematics, accounting, and other business-related courses, including computers, which enables agents to relate insurance needs to personal finances and economic factors.

Many state and local insurance companies also offer home-study or evening courses which can help in preparing for the state licensure examination.

Earnings and Advancements

In South Carolina, insurance agents earned an average annual salary of $21,600 in 1988. Nationally, annual salaries in 1988 averaged $28,444. Many agents with more than ten years of experience earned over $70,000 in 1988.

Beginning sales agents were paid a starting (base) salary of $1,400 per month for a six-month training period in 1987. A base salary may be maintained for a period of time while the agent builds up a clientele. After this period has expired, agents are usually paid on commission. The size of the commission will depend on the type and amount of insurance sold.

Introducing the Lesson

The teacher could begin the lesson by asking who would be responsible if a vehicular accident occurred. Who would pay for the damages to the vehicle? Who would pay associated medical expenses for an injured party not at fault? Most students would immediately respond with "insurance." At this point, the teacher could begin to focus the discussion by asking questions like: "What is insurance? What types of vehicular insurance are available? Are there types mandated by law? How much does insurance cost? How is insurance affected by the age and driving record of the driver?"

What is Insurance?

Insurance is a means by which individuals protect themselves from damage to or loss of personal property due to collision, vandalism, theft, or fire. Insurance also provides medical payments for injuries to passengers in the car when the accident occurred.

Types of Vehicular Insurance

Act 1177 of 1974 requires all drivers in South Carolina to have a minimum of liability and uninsured motorist protection insurance. Liability insurance provides financial protection for the at-fault driver. The at-fault party's liability insurance pays for repairs of damages to the other party's property. Uninsured motorist protection provides for repair of damages to an individual's property if the other party (who is at fault) has no liability protection.

Three types of insurance coverage not mandated by law are collision, comprehensive, and personal injury protection. Collision coverage pays for repair of damages to the at-fault party's property. Comprehensive coverage pays for repairs of damages due to theft, fire, or vandalism. Damages resulting from hitting an animal are also covered by comprehensive insurance. Personal injury protection provides for medical payments and loss of wages payment to the driver and anyone else in the vehicle regardless of who is at fault.

Although collision, comprehensive, and personal injury protection are not required by law, individuals need to protect themselves and their investments. These insurance coverages protect individuals from financial loss in the event of an accident. Also, many financial corporations require full coverage to protect property which they have financed.

Factors Affecting Insurance Rates

Insurance rates are based on several factors. Included are

- age of driver;
- location of residency;
- purpose for which the vehicle is to be used;
- distance driven each day;
- applicant's driving record.

Another important factor which affects the amount of the insurance premium is the **safe driver discount. Safe driver discount** is the amount of reduction in premium because the driver has no insurance department points against his driving record. (The points assessed for insurance purposes are not the same as the points assessed by the South Carolina Highway Department. For an example of how points are calculated for insurance purposes, see the sheet explaining RECOUPMENT (located in the Appendix). **This sheet could be copied and given to students.** It will be used in later problems.)

A high school student who has not taken driver's education automatically loses his safe driver discount. This means a high school student who has not taken driver's education but has a driver's license is classified as having been involved in at least one at-fault accident or traffic violation in the past three years. This rating also means that the insurance premium will be more for this student than for a student who had completed driver's education.

Performing the Task

A sample problem allowing students to compute the insurance premium on a motorcycle is given. The rates sheet and insurance application are included in the appendix. **These materials should be copied and given to the students.**

The related problems, which follow the sample problem, give students the opportunity to expand on the knowledge gained from the sample problem. Students will be asked to analyze various situations to determine the effect on insurance premiums. These problems cover both motorcycle and automobile insurance.

SAMPLE PROBLEM

Your parents have agreed to purchase a new motorcycle as your birthday present. Although they would like to purchase a used motorcycle, you persuade them to purchase a new one instead. The type you finally agree on is a 1990 Yamaha 350. The price of the motorcycle is $2950. Since you have a part-time job, you must pay half of the annual insurance premium. Your parents are requiring full coverage for the motorcycle including liability, collision, comprehensive, personal injury protection, and underinsured motorist coverage.

Given the rate sheet for motorcycle insurance (HANDOUT 1) and the insurance application (HANDOUT 2), have students compute the annual insurance premium for the motorcycle.

COMPLETING THE APPLICATION

SECTION I: THE APPLICANT

Have students complete the section on the applicant. The students can use either themselves as the applicant or use one of their parents.

SECTION II: ACCIDENTS OR TRAFFIC CONVICTIONS

This section lists accident or traffic violations of the applicant or any other driver of the motorcycle within the past 36 months (3 years). Students should leave this blank based upon the assumption that anyone who will be operating the vehicle has not had any at-fault accidents or traffic violations within the past 36 months.

SECTION III: DESCRIPTION OF THE MOTORCYCLE

The description of the motorcycle is given in the word problem. Assume zero points since there have been no accidents or traffic violations in the past three years. Also, leave the serial number segment blank.

SECTION IV: LOSS PAYEE

Loss payee is usually the applicant.

SECTION V: ADDITIONAL EQUIPMENT

No additional equipment was added to the motorcycle.

SECTION VI: UNDERINSURED MOTORIST COVERAGE

Underinsured motorist coverage is a requirement.

SECTION VII: COMPUTING THE ACTUAL PREMIUM*

Using the annual rates chart provided, have students compute the total premium. The class operator for the premium is 02 because one of the operators of the vehicle is under 30 years of age. Also, the safe driver discount rates will be used.

The amount of the premium is based on the number of cubic centimeters (cc's) which is 350. Looking at the liability chart, we find the liability premium for a 350-cc motorcycle to be $115.

Collision, comprehensive, and personal injury protection are based on a percentage of the cost of the motorcycle. The age group of the motorcycle is 1 because the motorcycle is new. Using the 02 classification, with safe driver rates, the base factor for collision, comprehensive, and personal injury protection is .185.

To compute the collision, comprehensive, and personal injury protection premium, multiply .185 by 2950 (the cost of the motorcycle). The amount of the collision, comprehensive, and personal injury protection premium is $546.

The amount for underinsured motorist protection is $100. (See rate sheet).

The total premium amount is liability plus comprehension, collision, and personal injury plus underinsured motorist or

$115 + $546 + $100 = $761.

The total, $761, is the annual premium for the motorcycle.

*See answer key in Appendix for a completed application.

RELATED PROBLEMS

1. Using the information from the example problem, compute the annual insurance premium for the motorcycle if the applicant has three (3) points against his driving record. (REMEMBER: The classification is 02 because one of the operators is under 30 years of age.

2. Automobile insurance is rated in much the same way motorcycle insurance is rated. A base rate applies to each type of insurance coverage a person wants. An increase or decrease in the total rate is affected by such factors as increasing the coverage amount above the base rate and the driving record of the applicant. The types of coverage usually include liability, personal injury protection, uninsured and underinsured motorist, comprehensive and collision.

   Using the following information, complete a rating sheet (Handout 3) for a 1985 Mustang Turbo.

   Limits: Liability--$100,000
   Personal injury protection--$1,000
   Uninsured motorist--$100,000
   Underinsured motorist--$100,000

   Vehicle #--1 Territory--54
   Class--2C Model Year--1985 Mustang Turbo
   Comprehensive Deductible--$250 Symbol--11
   Collision deductible--$250

COMPUTING COVERAGE

Liability

The base rate for liability coverage is $446. Because of an increase in the coverage limit, the base rate is increased by a factor of 1.16. Assuming the applicant has no violations assessed against his driving record, a safe driver discount is applicable. A reduction of 20% is the amount of discount. Also included in the liability premium is an expense fee of $20 which is returned to the highway department.

Personal Injury Protection (PIP)

The base rate for PIP is $14. There is no increase factor due to increased coverage. The expense fee for PIP is $3.

Uninsured Motorist

The base rate for uninsured motorist is $14. There is an increased limit factor of $3.

Underinsured Motorist

The base rate for underinsured motorist is $18. There is an increased limit factor of $11.

Comprehensive

The base rate for comprehensive coverage is $84. The expense fee for comprehensive coverage is $2.

Collision

The base rate for collision coverage is $240. The increased limit factor for collision is 2.4. The expense fee for collision coverage is $9.

Recoupment

The amount of recoupment for this policy is determined by merit point rating located on the recoupment brochure (Handout 4).

3. Using the information from problem 2, determine the amount of the premium for the applicant if he has two (2) point assessed against his driving record.

ANSWER KEY

1. The information regarding the applicant and the description of the motorcycle will remain the same. The base rates will be selected from the column "Base Rate 1 Point".

   The section on the application which requires a listing of the traffic violations within the last 36 months can be left blank or students can make up their own violations.

Computing Liability Premium

Looking at the liability section, we find that the base rate for liability is $147. (Remember the size of the motorcycle engine is 350 cc's.)

Also, since the applicant has more than one (1) point against his driving record, an additional liability surcharge will be assessed. This amount is $20 per point over one (1). Note the surcharge rate on the rating sheet. Since the applicant has two (2) points above the one (1) point limit, the liability surcharge will be

2 X $20 or $40.

The collision, fire, theft, and CAC rates will also be based upon the column labeled "Base Rate 1 Point." The base rate for collision, fire, theft, and CAC is .222 for a class 02 driver with three (3) points against his driving record. To compute the collision, fire, theft, and CAC multiply the base rate (.222) by the cost of the motorcycle (2950) or

.222 X 2950 = $655.

The amount for collision, fire, theft, and CAC is $655.

There is also a surcharge for collision, fire, theft, and CAC because the applicant has points against his driving record. The surcharge is the same as the liability surcharge or $20 per point over the limit of one (1). The surcharge is the rate per point over one (1), $20, multiplied by the number of points over one (1) which is this case is two (2) or

$20 X 2 or $40.

The amount for underinsured motorist is $100.

The total amount for the annual premium is the amount for liability, $147; plus the liability surcharge, $40; plus the collision, fire, theft, and CAC amount, $655; plus the collision, fire, theft, and CAC surcharge, $40; plus the underinsured motorist amount, $100 or

$$\$147 + \$40 + \$655 + \$40 + \$100 = \$982.$$

The annual insurance premium for the motorcycle is $982.

(A completed application for Related Problem 1 is located in the Appendix.)

2. The information from Related Problem 2 can be used to complete the rating sheet for the automobile. The SDIP (Safe Drive Discount factor is .80 or a reduction of 20% as stated in the problem. Areas without a listed factor should be left blank. The amount of recoupment for this particular application can be found from the recoupment brochure (Handout 4). This amount, $39.75, should be added to the vehicle total to obtain the total amount of the policy coverage. (See completed rating sheet for Related Problem 2 in the Appendix.)

3. Completing the rating sheet for Related Problem 3 is very similar to Related Problem 2. However, there are two factors which are different. The safe driver discount factor is removed because the applicant has two point assessed against his driving record and the amount of recoupment is higher. (See recoupment brochure to determine the amount of recoupment.) A completed rating sheet for Related Problem 3 is also found in the Appendix.

APPENDIX

EFFECTIVE 5-1-90

HANDOUT 1

WINDSOR INSURANCE COMPANY (A+)

Jack West & Associates, Inc.
Managing General Agents

SOUTH CAROLINA – MOTORCYCLE INSURANCE RATES

TERRITORY 1 – ISO Territories
60 – Charleston County,
83 – Lexington County, and 91 – Richland County

CLASS 01 – ALL OPERATORS AGE 30 AND OVER
CLASS 02 – ANY OPERATOR UNDER 30

ANNUAL RATES

LIABILITY

$15,000/$30,000/$5,000
(Includes Uninsured Motorist Coverage)

CC'S	*SAFE DRIVER RATES 0 POINTS* CL 01	CL 02	*BASE RATES 1 POINT (For Additional Points, Apply Surcharge)* CL 01	CL 02
0 – 100	52	66	67	87
101 – 200	60	82	76	104
201 – 360	72	115	92	147
361 – 500	80	127	101	159
501 – 800	97	173	121	212
801 & Over	139	202	175	249

UNDERINSURED MOTORIST COVERAGE

LIMITS	*ANNUAL PREMIUM*
$15,000/$30,000/$5,000	$100

The named insured must complete a separate Form S-75 (11/89) OFFER OF UNDERINSURED MOTORCYCLE INSURANCE COVERAGE. If not rejected, this coverage will be included.

COLLISION, FIRE, THEFT and CAC – Deductibles as shown
(Multiply N.A.D.A. Suggested List Price by rate below – Round to closest $1.00)

CLASS 01 CC SIZE	Deductible Coll., Fire, Theft, C.A.C.	SAFE DRIVER RATES 0 POINTS CYCLE AGE GROUP* 1	2, 3	4, 5	6	BASE RATES – 1 POINT (For Additional Points, Apply Surcharge) CYCLE AGE GROUP* 1	2, 3	4, 5	6
0 – 100	$100	.104	.088	.078	.057	.126	.107	.087	.070
101 – 200	$150	.109	.087	.077	.057	.123	.105	.093	.069
201 – 360	$150	.121	.103	.091	.067	.146	.124	.110	.081
361 – 500	$250	.111	.094	.083	.061	.135	.114	.100	.074
501 – 800	$250	.125	.106	.932	.069	.150	.128	.112	.083
801 – Over	$250	.156	.132	.117	.086	.188	.159	.141	.104

UNIFORM MERIT RATING PLAN APPLIES – SURCHARGE LIABILITY & PHYSICAL DAMAGE $20 FOR EACH POINT OVER ONE.

CLASS 02 CC SIZE	Deductible Coll., Fire, Theft, C.A.C.	SAFE DRIVER RATES 0 POINTS CYCLE AGE GROUP* 1	2, 3	4, 5	6	BASE RATES – 1 POINT (For Additional Points, Apply Surcharge) CYCLE AGE GROUP 1	2, 3	4, 5	6
0 – 100	$100	.162	.138	.121	.089	.195	.166	.146	.107
101 – 200	$150	.170	.144	.127	.093	.205	.174	.153	.112
201 – 360	$150	.185	.157	.139	.102	.222	.189	.167	.123
361 – 500	$250	.173	.147	.130	.095	.209	.176	.156	.116
501 – 800	$250	.193	.164	.145	.106	.232	.197	.174	.128
801 – Over	$250	.250	.212	.187	.137	.300	.255	.225	.165

**Age Group I includes all cycles of the current model year.*
The model year is deemed to change on January 1 of each year regardless of introduction date of various models.

MAIL TO:

Jack West & Associates, Inc.

Managing General Agents

P.O. BOX 47000 • JACKSONVILLE, FLORIDA 32247-7000

ALPHA PROPERTY & CASUALTY INSURANCE COMPANY

SOUTH CAROLINA

MOTORCYCLE INSURANCE APPLICATION

Handout 2

APPLICANT

NAME _____ (MUST BE 18 YEARS OLD) (LAST NAME) (FIRST NAME) (MIDDLE INITIAL)

ADDRESS _____ ( ) (STREET NUMBER) (CITY) (SC ZIP CODE) (COUNTY)

OCCUPATION _____ EMPLOYER _____

RESIDENCE PHONE _____ BUSINESS PHONE _____

List **all** operators and any accidents or traffic convictions during past 36 months. (Use back of application for additional space.)

Name **APPLICANT ➡**	Age	Date of Birth	Drivers License Number	State	Date 1st Lic.*	Date of Viol	Type of Accident/Conviction

*If licensed less than 1 year, apply Base Rates

DESCRIPTION OF MOTORCYCLE

Year	Make	Model Name & Number	Frame Serial Number (VIN) (Do Not Bind Without Complete Number)	Displacement in CC's	NADA Sugg. List (Incl. Add On Equip.)	Date Purchased	New/ Used	Points

Loss Payee _____

Address _____

City, State, Zip _____

ADD ON EQUIPMENT

The items listed below will be covered **only** if the Cost New for each item is listed and their total is included in the "N.A.D.A. Sugg. List" box above.

ITEM	COST NEW
Fairing	
Windshield	
Luggage Rack	
Trailer	
TOTAL	$

★ UNDERINSURED MOTORIST COVERAGE – REJECTION

I/we have been offered Underinsured Motorist Coverage with limits of $15,000 each person/$30,000 each accident. I/we understand Underinsured Motorist Coverage and hereby reject this coverage in this policy and all future renewal policies.

Applicant's Signature ✗ _____

APPLICANT'S STATEMENT

I/we hereby certify the answers and information contained herein to be true and complete. I/we understand if records reveal any undisclosed accidents or convictions which result in additional premium due, I/we will be billed accordingly. **I/we also understand that all resident operators of this motorcycle must be listed on this application.**

ALL OPERATORS MUST BE LICENSED

Signature ✗ _____

Company Terr.		Fire No.	ISO Terr.
1	2		

EFFECTIVE DATE
- Annual Only -

Liability Premium 15/30/5	$
Liability Surcharge	$
Collision, Fire, Theft, CAC	$
Collision Surcharge	$
☐ Special Hazard Surcharge (Surcharge Base Rates Only)	$
Sub Total	$
☐ SR 22 Filing Fee	$
Discount - See Underwriting Rules	$
★ **Underinsured Motorist** Include premium unless rejected	$
TOTAL PREMIUM	$

MAKE CHECK PAYABLE TO **Jack West & Associates, Inc.**

AGENT CODE: 1725
ANDERSON INSURANCE CENTER
PO BOX 636
ANDERSON, SC
29622

Date/Time of Application: ___/___/___ (Date) (Time) ☐ A M ☐ P M

Signature of Agent ✗ _____

HOME OFFICE USE ONLY

CO. NO.	STATE NUMBER (2)	POLICY NUMBER	MODEL	ISO TERR.	AGENT NUMBER 20	RISK TERR.	RENO.	C.D.

SC-6227-1 89

HANDOUT 3

SELECTIVE INSURANCE

SOUTH CAROLINA AUTOMOBILE RATING WORKSHEET

Policy Number_____ Effective Date_____ New_____ *Renewal_____

Liability Limit $_____ PIP Limit $_____ UM Limit $_____ UIM Limit $_____

Vehicle #_____ Territory_____ Class_____ Model/Year_____

Comprehensive Deductible $_____ Collision Deductible $_____ Symbol _____

COVERAGE		TOTAL
Liability	_____ (Base Rate) X _____ (Select) X _____ (I.L. Factor) X _____ (SDIP) X _____ (Multi Car) = _____ + _____ (Expense Fee)	_____
PIP	_____ (Base Rate) X _____ (Select) = _____ + _____ (Inc. Limit) = _____ + _____ (Expense Fee)	_____
UM	_____ (Basic) + _____ (Inc. Limit) = _____	_____
UDM	_____ (Basic) + _____ (Inc. Limit) = _____	_____
Comp.	_____ (Base Rate) X _____ (Obj. Stds.) X _____ (Select) X _____ (Deductible) = _____ + _____ (Expense Fee)	_____
Collision	_____ (Base Rate) X _____ (Obj. Stds.) X _____ (Coll. Fac.) X _____ (Select) X _____ (Deductible) X ___ (SDIP) X _____ (Multi Car) = _____ + _____ (Expense Fee)	_____
	VEHICLE TOTAL	_____

SURCHARGE TABLE

Offense	Points
SPEEDING CONVICTIONS	
* First conviction, less than 10 mph over limit	0
* Second Conviction, less than 10 mph over limit	1
* Third and all after, less than 10 mph over limit	2
* First conviction, over 10 mph over limit	1
* Second conviction, over 10 mph over limit	2
* Third and all after, over 10 mph over limit	3
* Each speeding with any bodily injury over $300 or property damage over $750**	4
* Each racing on public highways	10
* Reckless driving, but no accident resulting	4

**$200 for accidents prior to July 26, 1986
**$400 for accidents prior to July 1, 1988

CHARGEABLE ACCIDENTS	
* Each accident with no bodily injury but property damage under $750 **	0
* Each accident with bodily injury over $300 or property damage over $750**	1
* Each accident involving bodily injury over $300 or death	2
* First accident with no bodily injury, but property damage over $750**	1
* Each additional accident with no bodily injury, but property damage over $750**	2
* First and each additional accident while driving under the influence which results in any bodily injury or property damage over $750**	20
* First and each additional accident involving reckless driving which results in any bodily injury or property damage over $750**	15
* Hit and run convictions which result in property damage only	10
* Hit and run convictions which result in bodily injury	20

Offense	Points
MOVING VIOLATIONS (Other than accidents and speeding)	
* First moving violation, if not listed here*	1
* Each additional moving violation, if not listed here	2

* If moving violation conviction for offense not listed here occurs in connection with accident, assign points for accident only

* Driving under the influence, no accident resulting	15
* Homicide or assault with auto	15
* Failure to stop when signaled by law enforcement	10
* Failure to stop for school bus	10
* Transporting illegal whiskey	15
OTHER VIOLATIONS	
* Principal operator not licensed for one year	1
* Knowingly permitting an unlicensed person to drive	4
* Knowingly permitting operation of an uninsured vehicle	8
* Lending operators license	8
* Operating without valid license	8
* Operating while under suspension	8
* Making false statements in application for license registration	8
* Impersonating an applicant for license or registration	8
* Procuring any license or registration through impersonation	8
* Operating a motor vehicle without a reasonable belief that use is authorized by owner	8

SOUTH CAROLINA INSURANCE NEWS SERVICE
Suite 508
1136 Washington Street
Columbia, SC 29201
Office: 803/252-3455

HANDOUT 4

RECOUPMENT

WHAT IS YOUR SHARE OF $147 MILLION ?

RECOUPMENT

YOUR SHARE OF $147 MILLION

In 1989, the South Carolina Reinsurance Facility had an operating loss of $147 million on private passenger cars it insures. This agency, created by state government in 1974 to insure high risk drivers, has accumulated a total operating loss of about one billion dollars since it began.

These losses have been paid by the recoupment fee which is paid by all insured drivers.

Up until 1988 all car owners paid an equal amount into the system designed to make insurance available and affordable to all drivers regardless of their potential for loss. Using this mechanism, insurance companies can identify high risk drivers and place them in the Reinsurance Facility where their rates will be subsidized by all other drivers. This subsidy in 1988-89 was about $147 million.

The recoupment fee is not insurance premium. It is a "tax" required by law to help pay the premiums of high risk drivers insured through the Reinsurance Facility. It is the price drivers pay in South Carolina for the "benefits" of compulsory insurance.

The fact that the Reinsurance Facility's cumulative losses have been about one billion dollars since 1974 shows that insurance underwriters are very good at picking out drivers who are not paying rates equal to their potential for loss. If the Reinsurance Facility were not losing money, it would indicate that the facility was being used to insure many low risk drivers.

As it was originally created in 1974, the annual losses of the facility were divided equally among all drivers of the state. Since these losses were the result of accidents caused by hazardous drivers, cautious drivers paid an equal amount into the fund and were penalized for safe driving. They subsidized the poor driving habits of the drivers who caused all the losses.

In 1989 the law was changed to make hazardous drivers pay more. But good drivers still subsidize the poor driving habits of bad drivers.

Until 1988 the recoupment fee was built into the rates drivers paid. It was a hidden tax which most drivers did not know they were paying.

In 1987 the Governor signed a bill passed by the General Assembly putting the recoupment fee on premium notices so that all drivers learned what their share of the previous year's Reinsurance Facility losses were.

In 1989 the General Assembly cut the subsidy in half for good risk drivers. But this "bill" still has to be paid in full.

A driver's traffic record determines the amount of recoupment he pays. Drivers with a record of accidents and traffic law violations in three years will pay more than drivers with clean records.

A driver with one point and full coverage auto insurance will now pay almost four times as much recoupment fee ($171.44) as a driver with no points. Drivers with two points will see their recoupment fee go to $342.88 and 10 or more insurance points will increase the recoupment to $1,714.40 this year. (DUI is 15 points).

Drivers with no at-fault accidents or violations in three years still have to pay the fee. A responsible driver with full coverage had to pay $39.75 after July 1, 1990 as his share of the $147 million in losses.

Drivers with a record of violations and at-fault accidents during a three year period pay more according to a formula included in the 1989 Auto Insurance Reform Act.

The S.C. Department of Insurance has drawn up a point system which all insurance companies are required to use. This point system is not the same as that used by the S.C. Highway Department. The number of points a driver gets depends on the severity of the offense. (See chart on back).

It is possible for a driver to accumulate more than 10 insurance points on his record. Drunk driving, for example, is a 15-point offense and will result in higher merit plan surcharges. But the recoupment fee increases only up to 10 points. The recoupment fee is $1,714.40 for ten or more points.

The recoupment fee does not take the place of merit plan surcharges. These also increase the cost of insurance for drivers with records.

Drivers lose their 20 percent safe driver discount for a one point violation. That may cost $100 in additional premiums. Then, for every additional point the merit plan adds $40 a year in surcharges if they have full coverage auto insurance.

Surcharges for hit and run conviction (20 points) would be $800. Add to that a loss of safe driver discount ($100) and increased recoupment ($1,714.40) and, if there is bodily injury, this offense will cost $2,614.40 annually.

That's a fair motive to drive with courtesy, caution and common sense. This year each driver is paying a share of $147 million. Next year it may be $200 million.

The amount of the recoupment fee will change every year because it is based on the Reinsurance Facility losses of the previous year, but the idea will remain the same.

Drivers without points will pay the base rate, drivers with points will be charged according to the number of points they have accumulated over a three-year period.

All these figures are for full coverage, including the state-mandated liability and uninsured motorist coverage and the optional coverages of collision and comprehensive. A driver may reduce his recoupment tax by cancelling the optional coverages.

However, car-owners should remember that, though the law does not require collision and comprehensive, finance companies do. They want to protect their investments. Policyholders need to protect their own investments. Dropping optional coverages may be financially dangerous.

Who Pays How Much?

Insurance merit rating points	% of total insured vehicles	Recoupment fee under 1990 law
0	83.68	39.75
1	9.39	171.44
2	2.34	342.88
3	1.29	514.32
4	.98	685.76
5	.41	857.20
6	.24	1,028.64
7	.13	1,200.08
8	.27	1,371.52
9	.13	1,542.96
10 or more	1.12	1,714.40

MAIL TO:

Jack West & Associates, Inc.
Managing General Agents
P.O. BOX 47000 • JACKSONVILLE, FLORIDA 32247-7000

ALPHA PROPERTY & CASUALTY INSURANCE COMPANY
SOUTH CAROLINA
MOTORCYCLE INSURANCE APPLICATION
ANSWER KEY: EXAMPLE PROBLEM

APPLICANT
NAME Doe (LAST NAME) John (FIRST NAME) J. (MIDDLE INITIAL)
(MUST BE 18 YEARS OLD)
ADDRESS 123 Any Street (STREET NUMBER) Anywhere (CITY) 29999 (SC ZIP CODE) Anderson1 (COUNTY)
OCCUPATION Manager EMPLOYER Big Time Inc.
RESIDENCE PHONE 555-7777 BUSINESS PHONE 555-3333

List **all** operators and any accidents or traffic convictions during past 36 months. (Use back of application for additional space.)

Name	Age	Date of Birth	Drivers License Number	State	Date 1st Lic.*	Date of Viol.	Type of Accident/Conviction
APPLICANT ➡							

*If licensed less than 1 year, apply Base Rates

DESCRIPTION OF MOTORCYCLE

Year	Make	Model Name & Number	Frame Serial Number (VIN) (Do Not Bind Without Complete Number)	Displacement in CC's	NADA Sugg. List (Incl. Add On Equip.)	Date Purchased	New/ Used	Points
1990	Yamaha			350	2950	1/1/90	New	

Loss Payee John J. Doe
Address 123 Any Street
City, State, Zip Anywhere SC 29999

Company Terr.		Fire No.	ISO Terr.
1	2		

EFFECTIVE DATE
- Annual Only -

ADD ON EQUIPMENT
The items listed below will be covered **only** if the Cost New for each item is listed and their total is included in the "N.A.D.A. Sugg. List" box above

ITEM	COST NEW
Fairing	
Windshield	
Luggage Rack	
Trailer	
TOTAL	$

Liability Premium 15/30/5	$ 115
Liability Surcharge	$
Collision, Fire, Theft, CAC	$ 546
Collision Surcharge	$
☐ Special Hazard Surcharge (Surcharge Base Rates Only)	$
Sub Total	$
☐ SR 22 Filing Fee	$
Discount - See Underwriting Rules	$
* **Underinsured Motorist** Include premium unless rejected	$ 100
TOTAL PREMIUM	$ 709

MAKE CHECK PAYABLE TO **Jack West & Associates, Inc.**

★ UNDERINSURED MOTORIST COVERAGE - REJECTION
I/we have been offered Underinsured Motorist Coverage with limits of $15,000 each person/$30,000 each accident. I/we understand Underinsured Motorist Coverage and hereby reject this coverage in this policy and all future renewal policies.

Applicant's Signature ✗ _____

AGENT CODE: 1725
ANDERSON INSURANCE CENTER
PO BOX 836
ANDERSON, SC
29622

APPLICANT'S STATEMENT
I/we hereby certify the answers and information contained herein to be true and complete. I/we understand if records reveal any undisclosed accidents or convictions which result in additional premium due, I/we will be billed accordingly. **I/we also understand that all resident operators of this motorcycle must be listed on this application.**

ALL OPERATORS MUST BE LICENSED

Signature ✗ John J Doe

Date/Time of Application: 1 / 1 (Date) _____ (Time) ☐ A M ☐ P M

Signature of Agent ✗ _____

9295-6277 1/89

HOME OFFICE USE ONLY

CO NO.	STATE NUMBER	POLICY NUMBER	MOPED YES NO	ISO TERR	AGENT NUMBER	RISK TERR	REN/D	C.D.
	39							

MAIL TO:

Jack West & Associates, Inc.
Managing General Agents
P.O. BOX 47000 • JACKSONVILLE, FLORIDA 32247-7000

ALPHA PROPERTY & CASUALTY INSURANCE COMPANY
SOUTH CAROLINA
MOTORCYCLE INSURANCE APPLICATION

RELATED PROBLEM 1

APPLICANT
NAME Doe (LAST NAME) John (FIRST NAME) J. (MIDDLE INITIAL) (MUST BE 18 YEARS OLD)

ADDRESS 123 Any Street (STREET NUMBER) Anywhere (CITY) 29999 (SC ZIP CODE) (Anderson) (COUNTY)

OCCUPATION Manager EMPLOYER Big Time, Inc.

RESIDENCE PHONE 555-7777 BUSINESS PHONE 555-3333

List **all** operators and any accidents or traffic convictions during past 36 months. (Use back of application for additional space.)

Name	Age	Date of Birth	Drivers License Number	State	Date 1st Lic.*	Date of Viol	Type of Accident/Conviction
APPLICANT ➡							

*If licensed less than 1 year, apply Base Rates

DESCRIPTION OF MOTORCYCLE

Year	Make	Model Name & Number	Frame Serial Number (VIN) (Do Not Bind Without Complete Number)	Displacement in CC's	NADA Sugg. List (Incl. Add On Equip.)	Date Purchased	New/ Used	Points
1990	Yamaha			350	2950	1/1/90	New	

Loss Payee John J. Doe

Address 123 Any Street

City, State, Zip Anywhere SC 29999

ADD ON EQUIPMENT

The items listed below will be covered **only** if the Cost New for each item is listed and their total is included in the "N.A.D.A. Sugg. List" box above.

ITEM	COST NEW
Fairing	
Windshield	
Luggage Rack	
Trailer	
TOTAL	$

*** UNDERINSURED MOTORIST COVERAGE - REJECTION**

I/we have been offered Underinsured Motorist Coverage with limits of $15,000 each person/$30,000 each accident. I/we understand Underinsured Motorist Coverage and hereby reject this coverage in this policy and all future renewal policies.

Applicant's Signature ✘ _____

APPLICANT'S STATEMENT

I/we hereby certify the answers and information contained herein to be true and complete. I/we understand if records reveal any undisclosed accidents or convictions which result in additional premium due, I/we will be billed accordingly. **I/we also understand that all resident operators of this motorcycle must be listed on this application.**

ALL OPERATORS MUST BE LICENSED

Signature ✘ _____

Company Terr.	Fire No.	ISO Terr.
1 2		

EFFECTIVE DATE
- Annual Only -

Liability Premium 15/30/5	$ 147
Liability Surcharge	$ 40
Collision, Fire, Theft, CAC	$ 655
Collision Surcharge	$ 40
☐ Special Hazard Surcharge (Surcharge Base Rates Only)	$
Sub Total	$
☐ SR 22 Filing Fee	$
Discount - See Underwriting Rules	$
* Underinsured Motorist Include premium unless rejected	$ 100
TOTAL PREMIUM	$ 982

MAKE CHECK PAYABLE TO **Jack West & Associates, Inc.**

AGENT CODE: 1725
ANDERSON INSURANCE CENTER
PO BOX 836
ANDERSON, SC
29622

Date/Time of Application: 1 / 1 (Date) _____ (Time) ☐ AM ☐ PM

Signature of Agent ✘ _____

HOME OFFICE USE ONLY

CO NO	STATE NUMBER	POLICY NUMBER	MOPED YES NO	ISO TERR	AGENT NUMBER	RISK TERR	REN/D	C.D.
	39							

9295-6277 1/89

RELATED PROBLEM 2

SELECTIVE INSURANCE
SOUTH CAROLINA AUTOMOBILE RATING WORKSHEET

Policy Number _____ Effective Date _____ New _____ *Renewal _____

Liability Limit $ 100,000 PIP Limit $ 1,000 UM Limit $ 100,000 UIM Limit $ 100,000

Vehicle # 1 Territory 54 Class 2C Model/Year 1985 Mustang Turbo

Comprehensive Deductible $ 250 Collision Deductible $ 250 Symbol 11

COVERAGE											TOTAL
Liability	446 Base Rate	x _____ Select	x 1.16 I.L. Factor	x .80 SDIP	x _____ Multi Car	= 414	+ 20 Expense Fee				434
PIP	14 Base Rate	x _____ Select	= _____	+ _____ Inc. Limit	= 14	+ 3 Expense Fee					17
UM	14 Basic	+ 3 Inc. Limit	= 17								17
UDM	18 Basic	+ 11 Inc. Limit	= 29								29
Comp.	84 Base Rate	x _____ Obj. Stds.	x _____ Select	x _____ Deductible	= 84	+ 2 Expense Fee					86
Collision	240 Base Rate	x _____ Obj. Stds.	x 2.4 Coll. Fac.	x _____ Select	x _____ Deductible	x .80 SDIP	x _____ Multi Car	= 461	+ 9 Expense Fee		470

VEHICLE TOTAL 1053

Recoupment 39.75

Total Premium 1092.75

RELATED PROBLEM 3

SELECTIVE INSURANCE
SOUTH CAROLINA AUTOMOBILE RATING WORKSHEET

Policy Number _____ Effective Date _____ New _____ *Renewal _____

Liability Limit $ 100,000 PIP Limit $ 1,000 UM Limit $ 100,000 UIM Limit $ 100,000

Vehicle # 1 Territory 54 Class 2C Model/Year 1985 Mustang Turbo

Comprehensive Deductible $ 250 Collision Deductible $ 250 Symbol 11

COVERAGE															TOTAL
Liability	446	x		x	1.16	x		x		=	517	+	20		537
	Base Rate		Select		I.L. Factor		SDIP		Multi Car				Expense Fee		
PIP	14	x		=		+		=	14	+	3				17
	Base Rate		Select				Inc. Limit				Expense Fee				
UM	14	+	3	=	17										17
	Basic		Inc. Limit												
UDM	18	+	11	=	29										29
	Basic		Inc. Limit												
Comp.	84	x		x		x		=	84	+	2				86
	Base Rate		Obj. Stds.		Select		Deductible				Expense Fee				
Collision	240	x		x	2.4	x		x		x		=	576	+ 9	585
	Base Rate		Obj. Stds.		Coll. Fac.		Select		Deductible		SDIP		Multi Car	Expense Fee	

VEHICLE TOTAL 1271

Recoupment 342.88

Total Premium 1613.88